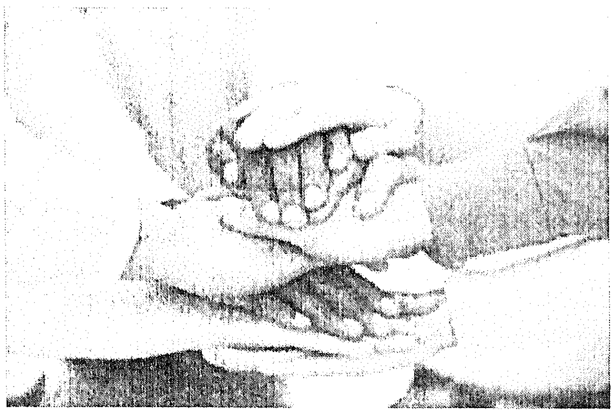
Why Teaming Up Can Make Sense



Even if your nonprofit isn't in financial trouble, your board and management should be alert to opportunities that will improve efficiency and sustainability. It's best to do this before your nonprofit reaches crisis mode.
For-profit companies have long recognized the value of collaborations. More nonprofits are now looking for the same benefits. A successful collaboration can help a nonprofit:

- save costs by sharing infrastructure and administrative expenses
- strengthen programs
- expand the value proposition for both organizations
- improve efficiency
- tap complementary skills and abilities
- increase leadership skills

Many nonprofits, especially those in the social services sector, face shrinking funding streams. Ed Wiertel, long-time board chair of the Chicago Youth Centers (CYC), a children's services provider to the underserved, didn't wait for the agency to feel the pain of funding cuts. He formed an in-house team to develop a preemptive strategy. Other nonprofits would be wise to follow a similar path.

CYC had made all the "inside the building" cuts they could without harming the quality of their programs. They needed to find another way to efficiently provide their services and build a more sustainable path to the future. They did this by thinking outside the box, evaluating the possibility of an alliance or a merger.

Determining whether it's best for your nonprofit to combine corporate legal structures, provide joint programs or share back office infrastructure may require an outside consultant. An outside expert can help you think through the options and recommend solutions that have worked for other nonprofits. CYC choose to work with FMA, which provides consulting, outsourcing and training to nonprofits.

Fortunately, foundations are increasingly recognizing the value of this exercise and are often willing to fund the process. CYC was able to obtain funding from The Chicago Community Trust which has funded this type of work for 20 years. Another funder in this area is SeaChange Capital Partners.

CYC's solution was to look for a financially solid strategic ally. They chose to partner with Family Focus. The new relationship benefits both organizations. They are able to share infrastructure and administrative costs and continue to strengthen their programs.

CYC provides services to children from age 3 through their school years; Family Focus provides services in the same area to children from birth to age 3. Specific benefits for both CYC and Family Focus include:

- ***Cost savings:*** Both organizations saved money through joint purchasing, shared use of transportation, shared expenses for facility rental, creating a consolidated preferred vendor program and joint staff training. They also recognized the potential for additional savings by sharing development and IT.
- ***Enhanced programs:*** By teaming, both organizations were able to provide a continuum of care from birth through school years for the children they serve.
- ***More efficient outreach:*** Family Focus provided a steady flow of clients into CYC programs, relieving Program Directors of the client-recruitment burden. To a lesser degree, CYC was able to refer prospective clients to Family Focus.
- ***Expands the value proposition:*** Both organizations were able to expand their offerings without increasing their budget.
- ***Increased leadership skills:*** Both organizations are improving their leadership skills in a direction that the nonprofit sector is moving — external alliance-making. Future nonprofit leaders will need to know how to share information between organizations, and influence and persuade people who don't report to them.

"Don't expect to know all the reasons for doing an alliance before you sit down to talk," said Andrea Mills, Director, FMA. "Once you build a relationship and understand each other's capabilities, other ideas emerge."

Strategic collaborations between nonprofit organizations can have benefits beyond cost savings. By collaborating, CYC and Family Focus expanded their programs, gained access to in-house expertise and became more efficient in the delivery of services.

The end result of this collaborative partnership is that both organizations are stronger. They are now better positioned to withstand fluctuations in funding, and can prove to funders that they are proactive about maintaining efficiency. Their alliance effectively secures a sustainable future for both organizations.

Note: The author's company, Ventureneer, has fielded surveys on nonprofit financial best practices for FMA.

http://www.forbes.com/sites/geristengel/2013/04/09/nonprofit-collaborations-why-teaming-up-can-make-sense/

Evaluating and Selecting a Strategic Partner

Donna Peek, Global Alliance Manager, SAS Institute, Inc.

Picking a good alliance partner is a lot like finding the right tennis partner — find the right one you win; pick the wrong one you lose.

Strategic alliances can deliver significant benefits to startups including reducing your time to market, providing to strategic markets and increasing your company valuation to name a few.

But how do you determine who you should partner with? How do you evaluate potential candidates? I recommend an eight-step process for effective alliance partner recruitment.

Step One: Clearly Define and Validate Your Market

The first order of business of any startup. The goal of market validation is to identify your target market — the customers experiencing the most significant pain and who need your solution the most. Through this process you identify the gap between what constitutes a total solution and what minimal functionality you can realistically deliver. That gap represents your partnering roadmap — where you need to partner to deliver the total solution.

This is why market validation is the first order of business for any startup and the first order of business in any strategic alliance strategy. One of the biggest mistakes startups make is trying to build the perfect solution or killer app. You will never have enough capital or resources to ever be able to do this, so focusing on your core competencies is the best approach. Fill the gaps with partners.

Step Two: Develop Partner Selection Criteria

As with just about anything, if you don't know what you're looking for, how will you know when you've found it? Sit down with your management team and identify the most important criteria for selecting the right partner fit for your business. Areas to consider:

- *What is the potential for impact?* The most important criterion is the potential of an alliance with this target to deliver strategic value to your company. What would be the impact to your competitive position, brand awareness, market acceleration? How quickly could you get traction with this partner in the marketplace?
- *Are the two companies compatible?* This is where your friends and family network and reference calls with existing partners will prove helpful. Is this company's culture and management team compatible with yours, and do you have compatible core competencies?
- *Are their goals and strategies consistent with yours?* The stronger alignment there is between your company goals and the target company's, the greater the likelihood of forging a successful alliance. Identify what the target companies goals and objectives are and determine if they are synergistic with yours.

- *Is this a good environment for partnering?* It's very helpful to know what kind of partnering culture the target organization has. Do they have a good reputation with their partners? Do they demonstrate a commitment to partnering? One of the most effective ways to ferret this out is to talk to one or more of the target company's existing partners and ask them what their experiences have been.
- *What are the risks with this partnership?* Risks of doing? Risks of not doing?
- *What access can they provide to other potential partners?* Companies tend to settle into one or more partner networks. Consider the partners that your target company has. Would any of these companies be desirable targets? Are any of them already on your partner target list?

Step Three: Identify and Prioritize Partner Candidates

From the gaps you identified in your market validation work in Step One, start identifying companies who possess your missing capabilities. Read the trade rags, contact trade associations, search the web, and leverage your investor and advisor networks including your accounting and law firms. Who do the industry analysts say are the important companies in the space you're targeting? Add these companies to your recruitment target list. Using the criteria you identified in Step Two, prioritize your target list to whittle it down to a manageable number of companies to target.

Step Four: Prepare "Partner Proposition Worksheet"

You only get one chance to make a first impression. Don't blow it by indiscriminately calling your targets and "winging it." Approach partner recruitment with the same care and preparation that you would if you were trying to land a marquee customer.

Prepare a "Partner Proposition Worksheet" for each partner prospect. Start by thinking through "WIIFT" (what's in it for them). Here you must stand in the target partner's shoes. Why would they want to partner with you? Why do they need to partner with you? What capabilities do you have that they need in order to compete more effectively? Do your homework. Understand the company's goals, objectives, and strategies and what's happening to them in the market. Think through what your combined value proposition would be to customers. Identify a compelling vision for the partnership and articulate the impact of that vision on the marketplace.

Finally, clearly articulate your partnering proposition — what it is that you are proposing that you do together. Be as specific as possible. Perhaps you can even identify a few options.

Step Five: Conduct Recruitment Call(s)

Once you've done your homework, you are now ready for that initial call. Depending on the size of the firm your target will either be a VP of Business Development, VP of Marketing, or perhaps the company founder or president. Use your friends and family network to identify the right contact and perhaps get an introduction. Send them a copy of your completed partner proposition worksheet and step them through it. You will win points with them simply for being prepared and demonstrating knowledge of their business.

If all goes well, they'll request a follow-up call or visit and the due diligence process will begin.

Step Six: Conduct Due Diligence

In this step both you and the partner prospect will be evaluating the "fit." Is your product real and ready? What investments will be required to make the partnership work? You will need to layout the business case for the partnership.

Step Seven: Negotiate Partnership Agreement

Actually the negotiation process effectively starts when you make your initial call to the partner prospect. You should be continually establishing your value throughout the process. Prepare a business terms document first which lays out the general business terms. Get agreement from the business sponsors on the business terms before you engage the attorneys.

Step Eight: Develop an Alliance Plan.

Before you uncork the Champagne bottle, realize that after the alliance agreement has been signed your work has just begun. You now need to work with your new partner to develop an alliance plan that outlines partnership goals/objectives, action plans, rules of engagement, and checkpoints, and you will need to assign an alliance manager to manage the relationship and execute on the plan.

The Partnership Evaluation Framework: How to evaluate a potential partner's business model and identify areas for collaboration

Model Framework	Relevance	Key Metrics	Questions for Consideration
Governance: How a firm makes decisions in the market	Understanding the governance structure associated with a given business model can help uncover what objectives actors will prioritize, how they will respond to both market trends and policy, and who they recognize as relevant stakeholders.	✓ What objectives actors will prioritize ✓ How they will respond to both market trends and policy ✓ Who they recognize as relevant stakeholders	▸ Who are all of the stakeholders involved in investment decisions in your organization? In partner organizations? ▸ Once an investment is made, who has responsibility for its oversight? ▸ Are there external regulations that may influence the decision-making process?
Financial Model: How a firm raises capital for start up or expansion and sets performance targets	Establishing and tracking a key set of financial metrics and benchmarks across each industry segment can reveal the sources of a business' profitability, as well as key decision-points and motivations for a business to seek change	✓ Revenues ✓ Costs of Goods (or Services) Sold ✓ Required margins ✓ Sources of funding and cost of funding	▸ What are the costs and revenues for the business? ▸ What are the major/key factors that influence changes in revenues or costs? ▸ How does the business finance investments?
Assets & Infrastructure: How a firm invests and brands itself in order to operate	Assessing the benefits and costs associated with an asset or infrastructure enables management to identify opportunities for creating value and reducing costs	✓ Fixed assets (e.g. buildings) ✓ Inventory ✓ Equipment ✓ Brand value ✓ Trainings/Certifications	▸ What type of investment (i.e., buildings, machinery, and equipment) is needed? How costly is it, and are economies of scale a factor? ▸ How important are non-physical assets (e.g., brand, certifications) on the success of the business?
Service Offering: What goods and services a firm markets and sells	Examining existing service offerings and uncovering untapped opportunities to expand core business offerings or enter into partnerships may reveal ways of increasing customer traffic, consumption, and revenue over time	✓ Range of service offerings an organization provides and how well they align to its strengths ✓ Required margins on an average service offering ✓ Level of demand in market for each service offered	▸ What are my organization's key strengths and service offerings? ▸ Are there alternatives/competitors to these services in the market? ▸ Can a strategic partnership help my organization expand its service offerings or control its costs?
Customer: who a firm's target market is, and how it reaches them	Identifying customer segments associated with each business model can help to measure probability of success for partnerships and service offerings	✓ Marketing and lead generation efforts ✓ Cost per lead ✓ Customer demographics ✓ Key partnerships	▸ Who are the target customers to be served? ▸ What is the estimated overall demand for each service being provided? ▸ Can a strategic partnership help me capture a larger share of the market?

Logic Models

Impacts

Does the program work?

Does it help those who participate in it?

What outcomes did the program "cause" to happen?

Sample Logic Model

GOAL: Connect young people to jobs & careers in the new media industry.

Inputs	Activities	Outputs	Outcomes	Impact
Existing program infrastructure, experience	Reach out to new media firms to identify needs, challenges, readiness to host interns	Informal agreements with 15 new partners interested in collaboration	**Short-term** [illegible]	[illegible]
Key media firm willingness to collaborate on program development	Develop a range of internships for interested students	100 young people apply for internships	**Long-term** [illegible]	[illegible]
Grant resources to support pilot project	Prepare young people for internships by providing workplace readiness, and other supports	20 internship opportunities developed among 10 firms	[illegible]	[illegible]

Adapted from W.K. Kellogg Foundation's Logic Model Development Guide

Logic Models

What is a Logic Model?

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Inputs → Activities → Outputs → Outcomes

Why Would You Want a Logic Model?

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- Clarify
- Identify
- Provide
- Engage